AGRI-PROCESSING

Overview

South Africa is a net importer of processed Agriculture, Forestry and Fisheries products. This presents an opportunity to explore possibilities to develop the local processing industries to play a more significant role, both in terms of its economic contribution, job creation and as expanding participation by SMMEs and rural communities in the agri-processing sector.

The agricultural and agri-processing value chain currently employs around 283,000 people, contributing 20.3% to manufacturing GDP and 2.7% to total GDP. The South African agri-processing sector has particularly strong linkages both up- and downstream. Upstream, the sector links to agriculture across a wide variety of farming models and products. Downstream, the sector's products are marketed across wholesale and retail chains and through a diverse array of restaurants and fast-food franchises. Agri-processing is the largest single sub-sector in manufacturing, showing relatively rapid growth in sales and employment over the past 15 years. The 'organic' link with primary agriculture makes agri-processing critical for employment creation and poverty eradication, and it presents key opportunities in the global value chains in the food and freight industries. We have previously identified priority interventions across value chains to strengthen the sector. Actions of key importance include:

- Increasing capacity for processing of value-added products
- Empowering communities to be 1) self-sufficient and 2) contribute to the local economy
- Upskilling actors across the value chain
- Identify opportunities for local beneficiation

Of particular note is the need to identify cross-cutting interventions across value chains, which will unlock opportunities for beneficiation and benefit multiple emergent industries. Our experience has shown that further expansion and to grow at scale, upskilling and progressive agri-processing improvement is needed to ensure long-term sustainability of existing and development of new SMMEs in the natural products subsector.

The Agri-processing subsector in the Western Cape

The Agri-processing sector has been identified as a priority sector with the potential to trigger growth, create as well as sustain employment due to its strong backward and forward linkages. South Africa's Agri-processing sector has led to the creation of a sophisticated and elaborate value chain ranging from Agricultural inputs, equipment, packaging and specialised logistics to marketing and retail. The strong linkages to other sectors such as retail and tourism ensure the sustainability of the sector.

A key characteristic of the Agri-processing sector is its strong upstream and downstream linkages. Upstream, the sector links to primary Agriculture across a variety of farming models and products. Downstream, Agri-processing outputs are both the intermediate products to which further value is added and final goods that are marketed through wholesale and retail chains as well as a diverse array of restaurants, pubs, informal markets and fast-food franchises. This link with Agriculture makes it critical for employment creation and poverty eradication.

The agribusiness sector is the traditional heart of the Western Cape's economy. Seven of the top 10 exports from the province are agricultural or agri-processed products. Positioned as a springboard into Africa, Cape Town and the Western Cape are key destinations for export opportunities into the continent.

The Western Cape is responsible for:

almost half of South Africa's agribusiness exports.

about 70% of South Africa's beverages exports.

about 85% of South Africa's fisheries exports.

Of note is the definition of the term 'agri-processing'. The definition used by the Western Cape Government incorporates both value addition and physical processing (changing) of the product and therefore includes all post-harvest activities regardless of where it takes place or by whom it is done. The formal definition is provided in Pienaar & Partridge as:

"All post-harvest activities applied to products that originate from primary agriculture, forestry and fisheries which involve the transformation, preservation and preparation of products for intermediary and final consumption to make them usable as food, feed, fibre or industrial raw materials. This includes waste and waste products."

Impact of Covid-19

In its early stages, the Covid-19 pandemic resulted in a supply-side shock because it disrupted highly integrated global supply chains. The shut-down of factories in many export markets resulted in lower demand for South African exports of Agri-processed products, while also reducing the supply of inputs into South African production chains.

These impacts have increased in scale and severity as other countries have shut-down parts of their economies and it is widely reported that South Africa is now not just exporting fewer volumes.

These impacts are deep and wide- ranging and are impacting on sectors in different ways, with some facing huge immediate threats, some facing significant obstacles that will inhibit growth and progress towards growth and sustainability, while for other sectors opportunities are emerging amidst the crisis. Growth opportunities are emerging for some sectors, either for addressing challenges related to COVID-19 and those that are addressing import replacement and supply chain disruptions.

PERO 2020: Macroeconomic outlook and performance

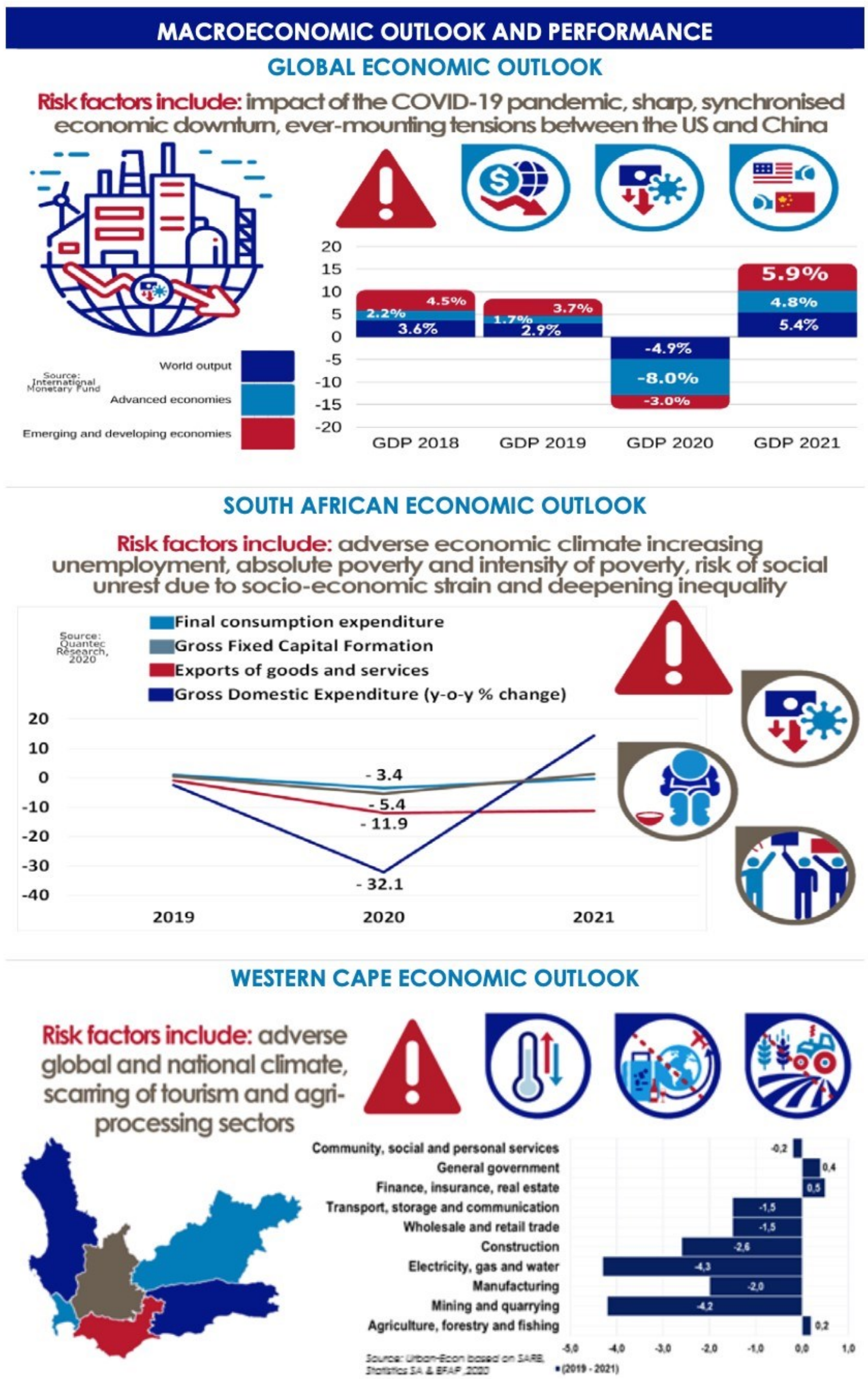

Table 2.5 Western Cape economic outlook, 2020 - 2021

Description	2018	2019e	2020f	2021f	Forecast average (2019 - 2021)
Agriculture, forestry and fishing	-7.9	-7.0	14.7	-7.2	0.2
Mining and quarrying	-1.9	-3.2	-23.8	14.4	-4.2
Manufacturing	0.9	-0.7	-15.9	10.7	-2.0
Electricity, gas and water	0.9	-2.7	-8.6	-1.7	-4.3
Construction	-1.7	-3.4	-17.8	13.4	-2.6
Wholesale and retail trade, catering and accommodation	0.7	0.0	-18.5	14.0	-1.5
Transport, storage and communication	1.5	-0.4	-15.6	11.6	-1.5
Finance, insurance, real estate and business services	2.0	2.3	0.3	-1.0	0.5
General government	1.1	1.6	2.5	-3.1	0.4
Community, social and personal services	0.9	0.9	0.1	-1.6	-0.2
Regional Gross Domestic Product	**0.8**	**0.3**	**-6.9**	**3.8**	**-0.9**

Note: e denotes estimate and f denotes forecast

Source: Urban-Econ based on South African Reserve Bank, Statistics South Africa & BFAP, 2020

Data from PERO 2020

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